

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES

PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES –
NON-PUBLISHED RATES

Docket No. MC2013-53

COMPETITIVE PRODUCT PRICES

PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES –
NON-PUBLISHED RATES CONTRACTS (MC2013-53)

Docket No. CP2013-69

**REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD
PRIORITY MAIL INTERNATIONAL REGIONAL RATE™ BOXES
– NON-PUBLISHED RATES TO THE COMPETITIVE PRODUCT LIST
AND NOTICE OF FILING
PRIORITY MAIL INTERNATIONAL REGIONAL RATE™ BOXES
– NON-PUBLISHED RATES MODEL CONTRACT AND APPLICATION FOR NON-
PUBLIC TREATMENT OF MATERIALS FILED UNDER SEAL
(June 25, 2013)**

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 et seq., the United States Postal Service (Postal Service) hereby requests that Priority Mail International Regional Rate™ Boxes - Non-Published Rates be added to the competitive product list within the Mail Classification Schedule (MCS). The Postal Service also gives notice, pursuant to 39 U.S.C. § 3632(b)(3) and 39 C.F.R. § 3015.5, that the Postal Service has created a Priority Mail International Regional Rate Boxes - Non-Published Rates model contract.

Prices and classifications not of general applicability for Priority Mail International Regional Rate Boxes - Non-Published Rates are authorized by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International

Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors' Decision No. 11-6).¹ Accordingly, the Postal Service requests that the Postal Regulatory Commission (Commission) add Priority Mail International Regional Rate Boxes - Non-Published Rates to the competitive product list within the Mail Classification Schedule (MCS).

In support of this Request and Notice, the Postal Service is filing the following attachments:

- Attachment 1 – an application for non-public treatment of materials filed under seal;
- Attachment 2A - a redacted version of Governors' Decision No. 11-6, which authorizes management to prepare any necessary product description of nonpublished competitive services, including text for inclusion in the MCS, and to present such matter for review by the Commission;
- Attachment 2B, a proposed version of MCS 2510.9 Priority Mail International Regional Rate Boxes - Non-Published Rates;
- Attachment 2C, a redacted version of Management's Analysis Of The Prices And Methodology For Determining Prices For Negotiated Service Agreements Under Priority Mail International Regional Rate Boxes—Non-published Rates (PMI RRB – NPR Management Analysis);

¹ See Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors' Decision No. 11-6), March 22, 2011, included as Attachment 2A to this request and notice. An unredacted copy of this decision is filed under seal with the Commission with this filing.

- Attachment 2D, a redacted version of Maximum and Minimum Prices for Priority Mail International Regional Rate Boxes under PMI RRB - NPR;
- Attachment 2E, the certified statement concerning the prices for applicable negotiated service agreements under PMI RRB - NPR, required by 39 C.F.R. 3015.5(c)(2);
- Attachment 3, a Statement of Supporting Justification of Frank Cebello, Executive Director, Global Business Management, which is filed pursuant to 39 C.F.R. § 3020.32; and
- Attachment 4, a redacted version of the PMI RRB - NPR model contract.

Redacted versions of the supporting financial documentation for the PMI RRB - NPR model contract are included with this filing in separate Excel files.

Governors' Decision No. 11-6, PMI RRB - NPR Management Analysis, the PMI RRB - NPR model contract, and the PMI RRB - NPR financial model, which includes maximum and minimum prices for Priority Mail International Regional Rate Boxes, that establish compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5, are being filed separately under seal with the Commission.

I. Introduction

The rates and the classification for PMI RRB – NPR were authorized by Governors' Decision No. 11-6, which states that with respect to Outbound International Competitive Agreements, such as PMI RRB - NPR, "management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail

Classification Schedule, and to present such product description to the Postal Regulatory Commission.”²

PMI RRB - NPR offers incentive pricing to small and medium-sized business mailers that satisfy prescribed capability requirements and that are willing to enter a contractual commitment to tender certain minimum levels of postage for PMI RRB on an annualized basis.

II. Overview of PMI RRB - NPR Contracts

A redacted version of the PMI RRB - NPR model contract is included as Attachment 4 to this filing. For PMI RRB – NPR contracts, the Postal Service offers several incentive tiers based on a mailer’s revenue commitment, with one of the tiers reserved for the largest volume customers. The mailer assumes responsibility and the costs associated with delivering to the point of entry.

The Management Analysis includes a reference to a non-discounted price table for PMI RRB. The rates in that table are set by country of destination and by whether PMI RRB Box A, PMI RRB Box B, or PMI RRB Box C is selected. PMI RRB Box A has a maximum weight of 10 pounds, and PMI RRB Boxes B and C have a maximum weight of 20 lbs. The dimensions for PMI RRB Boxes A, B, and C are identical to those for Priority Mail Regional Rate Boxes A, B, and C, which are set forth in section 2110.2 of the Mail Classification Schedule.³

² Governors’ Decision No. 11-6 also states that “Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2).” Governors’ Decision No. 11-6, at 1-2.

³ See Postal Regulatory Commission (PRC), (Draft) Mail Classification Schedule (posted April 1, 2013), available at <http://prc.gov/prc-pages/library/mail-classification-schedule/default.aspx?view=mail>, 2110.2, Priority Mail, Size and Weight Limitation, at 228.

PMI RRB has a total of 8 country groups. The Management Analysis explains how the potential minimum prices for each destination country group for PMI RRB under PMI RRB - NPR establish the floor prices for PMI RRB - NPR. The Management Analysis also explains how the maximum potential prices that PMI RRB – NPR customers will pay (which represent the price ceiling for PMI RRB rates) are established.

PMI RRB - NPR customers who select postage through a permit imprint using USPS-provided Global Shipping Software are required to meet minimum volume or weight requirements established for presentation of a manifest mailing and to use USPS-provided Global Shipping Software to generate labels and customs declarations.

Unless the Commission indicates otherwise, the Postal Service anticipates that the Commission will request that the Postal Service file PMI RRB - NPR contracts in filings that are similar to the Postal Service’s filings of GEPS – NPR 4 contracts.⁴ The Postal Service also anticipates that notice of new rates for PMI RRB - NPR would necessitate the addition of successor filings in connection with this competitive product.

III. Filing under Part 3020, Subpart B of the Rules of Practice and Procedure

The Statement of Supporting Justification of Frank A. Cebello, Executive Director, Global Business Management, is included as Attachment 3 in accordance with Part 3020, Subpart B, of the Rules of Practice and Procedure. This Statement provides support for the addition of the PMI RRB - NPR product to the competitive product list.

⁴ In Order No. 1625, at 7, the Commission provided the following instructions concerning the filing of GEPS – NPR 4 contracts: “A copy of each contract along with the financial model inputs used to generate rates for each contract, must be filed with the Commission within a reasonable time, e.g., within 10 days of the effective date of the contract.” PRC Order No. 1625, Order Adding Global Expedited Package Services – Non-Published Rates 4 (GEPS – NPR 4) to the Competitive Product List, Docket Nos. MC2013-27 and CP2013-35, January 16, 2013, at 7.

Under 39 U.S.C. § 3642(b), the only criteria for such review are whether the product qualifies as market dominant, whether it is excluded from the postal monopoly, and whether the proposed classification reflects certain market considerations. Each of these criteria has been addressed in this case.

First, as for 39 U.S.C. § 3642(b)(1), the product does not qualify as market dominant. The Postal Service does not exercise sufficient monopoly market power so that it can effectively set the price of PMI RRB “substantially above costs, raise prices significantly, decrease quality, or decrease output without risk of losing a significant level of business to other firms offering similar products.”⁵ Therefore, the Postal Service proposes that the PMI RRB - NPR product be added to the competitive product list and that, similar to the Commission’s request in Order No. 1625, the Postal Service file with the Commission a copy of each PMI RRB - NPR customer agreement, along with the financial cost inputs used to generate the rates for the customer and the effective date of each PMI RRB - NPR agreement.⁶

Second, as for 39 U.S.C. § 3642(b)(2), and whether the product is excluded because it is subject to postal monopoly, the Qualifying Mail in PMI RRB – NPR contracts are intended for the conveyance of merchandise, which falls outside the scope of the Private Express Statutes. Furthermore, any “letters” as defined by 39 C.F.R. § 310.1(a) that are inserted in such items would likely fall within the suspensions or exceptions of the Private Express Statutes. For instance, the minimum prices at issue here exceed the scope of the reserved area in 39 U.S.C. § 601. Moreover, the

⁵ 39 U.S.C. § 3642(b)(1).

⁶ PRC Order No. 1625, at 7-8.

suspension for outbound international letters covers the mailing activity in question here.⁷

Therefore, there is no need to ponder further whether PMI RRB - NPR contracts, as defined by the proposed MCS language, are market-dominant or covered within the postal monopoly. The additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed by Mr. Cebello's Statement of Supporting Justification. Because all of section 3642's criteria for classification have been met, the Postal Service respectfully urges the Commission to act promptly by adding this product to the competitive products list as requested.

IV. Application for Non-Public Treatment

The Postal Service maintains that certain portions of Governors' Decision No. 11-6, PMI RRB - NPR Management Analysis, the maximum and minimum prices for PMI-RRB, the PMI RRB - NPR model contract, and the PMI RRB - NPR financial model, as well as related financial information should remain confidential. As Attachment 1 to this Request and Notice, the Postal Service files its application for non-public treatment of materials filed under seal. As done for GEPS – NPR 4 contracts in PRC Docket No. CP2013-35, the Postal Service anticipates providing to the Commission the mailer agreements memorializing the sale of PMI RRB - NPR. A minimal amount of information in PMI RRB - NPR agreements is considered to be confidential because of the commercially sensitive nature of the information or its identification of a particular customer. The application for non-public treatment attached to this notice addresses the redactions to those materials, including some additional information that will be

⁷ See 39 C.F.R. § 320.8.

redacted in signed PMI RRB – NPR agreements. When the Postal Service files actual customer agreements with the Commission in this docket, the Postal Service will rely on the application for non-public treatment included as Attachment 1 to this filing for protection of the information redacted from those materials. A full discussion of the requested elements of the application appears in Attachment 1.

V. Conclusion

For the reasons discussed, the Postal Service believes that Priority Mail International Regional Rate Boxes - Non-published Rates should be added to the competitive product list, to reflect the change in non-generally applicable rates for this competitive product. The Postal Service asks that the Commission add PMI RRB - NPR to the competitive products list of the MCS.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business and Service Development
Corporate and Postal Business Law Section

Christopher C. Meyerson
Attorney

475 L'Enfant Plaza, S.W. Rm. 6029
Washington, D.C. 20260-1137
(202) 268-7820; Fax -5628
christopher.c.meyerson@usps.gov
June 25, 2013

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to a request that the establishment of prices and classifications not of general applicability for Priority Mail International Regional Rate Boxes - Non-published Rates (PMI RRB - NPR), as authorized by Governors' Decision No. 11-6, be added to the competitive product list within the Mail Classification Schedule (MCS), and a notice that the Postal Service has created a PMI RRB - NPR model contract. Governors' Decision No. 11-6, PMI RRB - NPR Management Analysis, the maximum and minimum prices for PMI RRB, the PMI RRB - NPR model contract, and the PMI RRB - NPR financial model and related financial information are being filed separately under seal with the Commission, although redacted copies of the materials are filed with the Notice as Attachments 2A, 2C, 2D, 4, and in separate Excel files.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(3) and (4). The Commission may determine the appropriate level of confidentiality to be afforded to

such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).¹ Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

Third parties that may have a proprietary interest in the information in this filing include the designated operators or foreign posts with which the U.S. Postal Service settles accounts² and the PC Postage vendors authorized to offer services to contract rate customers.

¹ The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

² Other postal operators can be considered to have a proprietary interest in some rate information in the financial workpapers included with this filing. The Postal Service maintains that such information should be withheld from public disclosure. In view of the practical difficulties, the Postal Service has not undertaken to inform all affected postal operators about the nature and scope of this filing and about the ability to address any confidentiality concerns directly with the Commission as provided in 39 C.F.R. § 3007.20(b). Due to language and cultural differences as well as the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operators, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators. The Postal Service identifies as an appropriate contact person Guadalupe Contreras, EMS Manager, International Postal Relations. Ms. Contreras's phone number is (202) 268-4598, and her email address is guadalupe.n.contreras@usps.gov. The Postal Service acknowledges that 39 C.F.R. § 3007.21 (c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's filing in the absence of actual notice might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully requests a waiver that would allow it to forgo providing a notice to each postal operator, and to designate a Postal Service employee as the contact person under these circumstances, since it is impractical to communicate with dozens of operators in multiple languages about this matter.

The points of contact for the two PC Postage vendors currently authorized to offer services to contract rate customers are:

For Endicia.com:
Ms. Candi A. Booth, National Sales Manager
(650) 321-2640 x183; candi.booth@endicia.com

For Stamps.com:
Ms. Ting Huang, Marketing Manager, Shipping Solutions
(310) 482-5863; thuang@stamps.com

The Postal Service anticipates that the Commission will require the Postal service, in the future, to file with the Commission PMI RRB - NPR customer-specific agreements. Concerning those agreements, the customer with which the agreement is made would have a proprietary interest in the materials. Article 19 of the model agreement provides each customer with notice of the Postal Service's intent to file the agreement with the Commission and its intent to seek non-public treatment of the information the Postal Service determines may be withheld from public disclosure. Article 19 provides the customer with the docket number in which the agreement will be filed and gives the customer information about how to raise its confidentiality concerns directly with the Commission. Each customer will identify a point of contact in Article 31 of the contract, which the Commission may use, should the Commission determine that there is a need to provide notice of information requests or anticipated disclosures in the future.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its request and notice filed in this docket, the Postal Service included Governors' Decision No. 11-6, PMI RRB - NPR Management Analysis, the PMI

RRB - NPR model contract, and a financial model that the Postal Service will use to generate customer-specific rates. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of these materials should remain confidential as sensitive business information. Additionally, the model contract includes highlighted sections that may contain information that will be redacted when the customer-specific agreements are filed in this docket in the future.

Governors' Decision No. 11-6 is reproduced as Attachment 2A of this filing and includes as supporting materials an Attachment A. In addition, Attachments 2B through 2E of this filing provide information specific to Postal Service management's preparation of the PMI RRB - NPR product description, including text for inclusion in the MCS. Redactions appear on page two of Governors' Decision No. 11-6, on pages one and two of Attachment A of that Decision, throughout the PMI RRB - NPR Management Analysis (Attachment 2C) and in the table of PMI RRB - NPR minimum and maximum prices (Attachment 2D). These redactions protect sensitive commercial information concerning the incentive discounts and their formulation, the applicable cost-coverage, and the non-published rates themselves.

With regard to the model PMI RRB - NPR agreement filed in this docket as Attachment 4, after the Postal Service begins filing executed agreements, there will be some customer-identifying information in the highlighted sections of the agreement on page 1, in Article 31, in the signature block, and in the footer of the agreement and its annexes. When these agreements are ultimately filed using the standard "NPR" approach, the information would include the name or address of a postal patron whose identifying information may be withheld from mandatory public disclosure by virtue of 39

U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c)(2). Therefore, such information will be redacted in signed PMI RRB – NPR agreements. Additionally redactions appear in Articles 11 and 15. Along with the highlighted section of paragraph 1 of Article 11, which will also be redacted in signed PMI RRB – NPR agreements, these redactions include the customer’s revenue commitment, various penalties and interest that may be assessed under certain circumstances, and the percentage of cost increase which may trigger a consequential price increase. In addition, the prices in Annex 1 of the PMI RRB - NPR contracts will be redacted.

Any performance reports filed in this docket will typically show the actual revenue and cost coverage of the customer’s completed contract. The Postal Service will redact all of the values represented in such performance reports as commercially sensitive business information and will also protect any customer identifying information from disclosure.

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

Governors’ Decision No. 11-6 and its Attachment A, as well as Attachments 2C and 2D of this filing and the accompanying financial models, include the Postal Service’s desired cost-coverage for PMI RRB - NPR agreements, specific rate information and a detailed description of the methodology used to establish the rates, which are highly confidential in the business world. If this information were made public, the Postal Service’s competitors would have the advantage of knowing the range of prices that may be offered by the Postal Service to its PMI RRB - NPR customers for PMI RRB with volume incentives applied and the contribution margin used to establish the prices. Thus, competitors would be able to take advantage of the information to

offer lower pricing to the PMI RRB - NPR customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the expedited package services market.

Potential customers could also take advantage of the information in negotiating the specific rates to be applied to their circumstances, depending upon their revenue commitment level. They could demand the absolute floor, when it would otherwise be possible in some cases for the Postal Service to offer a higher, but still competitive rate.

If the portions of the contract that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Redacted information in the model contract (which is included as Attachment 4 of this filing) includes penalties and the percentage of cost increase which may trigger a consequential price increase. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practice. Competitors could use the information to assess the offers made by the Postal Service to its customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, potential customers could use the information to their advantage in negotiating the terms of their agreements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

Customer-identifying information redacted from the customer agreements could be used by competitors to target their marketing efforts on current USPS customers.

The redactions in the financial models include commercially sensitive business information from which the particular prices to be offered to specific customers are generated, while maintaining statutory cost-coverage requirements. Public disclosure of this information would give competitors an exact model of Postal Service pricing that could be used to develop lower pricing to present to customers in an attempt to convert them from contracts with the Postal Service.

The redactions in the financial models also include commercially sensitive business information about foreign postal operators. If this information were made public, competitors and customers of a foreign postal operator could take advantage of the information and the Postal Service considers that it is quite likely that the foreign postal operator might suffer commercial harm.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Identified harm: Public disclosure of established rates and the financial model and methodology used to generate the rates would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing expedited package delivery service obtains a copy of the unredacted version of the Governors' Decision, the financial model, or Management Analysis from the Postal Regulatory Commission's website. The competing service reviews the rates or the model or both and then sets its own rates for products similar to what the Postal Service offers its PMI RRB - NPR customers under the Postal Service's rates. The competing service markets its ability to guarantee to beat the Postal Service on price for international expedited delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's

competitors acting in a likewise fashion, would freeze the Postal Service out of the business-to-business and business-to-customer expedited delivery services markets for which the PMI RRB - NPR product is designed.

Identified harm: Public disclosure of the rate charts in Attachment 2D would provide potential customers extraordinary negotiating power to extract lower rates.

Hypothetical: A customer with the rate information included in Attachment 2D could demand the lowest possible rate, knowing that the Postal Service's approved rates include those floor amounts. Armed with the rate information, a customer could threaten that it will not use the Postal Service for its expedited package service delivery needs if it does not receive the lowest possible rates. This would severely threaten the Postal Service's ability to offer competitive but profitable rates to its customers within the minimum and maximum rates established by the Governors' for each rate cell.

Identified harm: Public disclosure of the information redacted from the model contract would provide competitors commercial advantages at the Postal Service's expense.

Hypothetical: A competitor is able to review the Postal Service's penalty clauses and underlying cost increase trigger for pass-through increases in pricing. The competitor takes that information and uses it to differentiate its own product from the Postal Service's product when it sells to potential customers, convincing those customers that the competitor's product is better.

Identified harm: Public disclosure of identifying information concerning a customer and of a performance report concerning a contract with that customer would give competitors a marketing advantage.

Hypothetical: A competitor is able to identify Postal Service customers being offered PMI RRB - NPR rates for PMI RRB from information provided on the PRC's website. The competitor uses this information to contact the customer directly and attempt to undersell the Postal Service and obtain new business from the Postal Service's customer. The competitor could use information included in a performance report to "qualify" potential customers, choosing to focus marketing efforts only on those customers that have a mailing profile that is attractive to the competitor, based on its business operations.

Identified harm: Public disclosure of information redacted from the financial workpapers would provide competitors and customers of a foreign postal operator commercial advantages at that foreign postal operators' expense.

Hypothetical: A competitor or customer of a foreign postal operator is able to review information about that foreign postal operator in the financial workpapers. The competitor or customer uses that information to negotiate better rates with the foreign postal operator, to the detriment of that foreign postal operator. Alternatively, the competitor of the foreign postal operator uses the information as a benchmark to develop a lower cost alternative.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international expedited and parcels products (including both private sector integrators and foreign postal administrations), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof;

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

The Postal Service anticipates that the Commission will require the Postal Service to file customer agreements in this docket. The Postal Service considers this Application sufficient to fulfill its regulatory requirements for justifying its determinations that the information redacted from those materials should be treated as non-public.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE
ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE
AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND
INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED
COMPETITIVE RATES (GOVERNORS' DECISION NO. 11-6)**

March 22, 2011

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments, but nonetheless arise from other sources, such as the Universal Postal Convention.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

Governors' Decision No. 11-6

Page 2

With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission.

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established all prices that will cover [REDACTED] [REDACTED] costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegee(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a quarterly basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant, new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

Governors' Decision No. 11-6

Page 3

This Decision does not supersede or otherwise modify Governors' Decision Nos. 08-5, 08-6, 08-7, 08-8, 08-10, 08-20, 08-24, 09-5, 09-6, 09-7, 09-14, 09-15, 09-16, 10-1, 10-2, 10-3, 10-6, and 10-7, nor does it affect the validity of prices and classifications established under those Decisions. Management may also continue to present to the Postal Regulatory Commission for its review, as appropriate, rate and classification changes to succeed the minimum and maximum non-published rates in Decision Nos. 10-2 and 10-6.

ORDER

In accordance with the foregoing Decision of the Governors, the prices set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in black ink, appearing to read "Louis J. Giuliano", is written over a horizontal line.

Louis J. Giuliano
Chairman

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

Attachment A

Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

The cost coverage for each competitive agreement or grouping of functionally equivalent instruments (collectively, each "product") will be [REDACTED]

[REDACTED]

The cost coverage for a product equals [REDACTED]

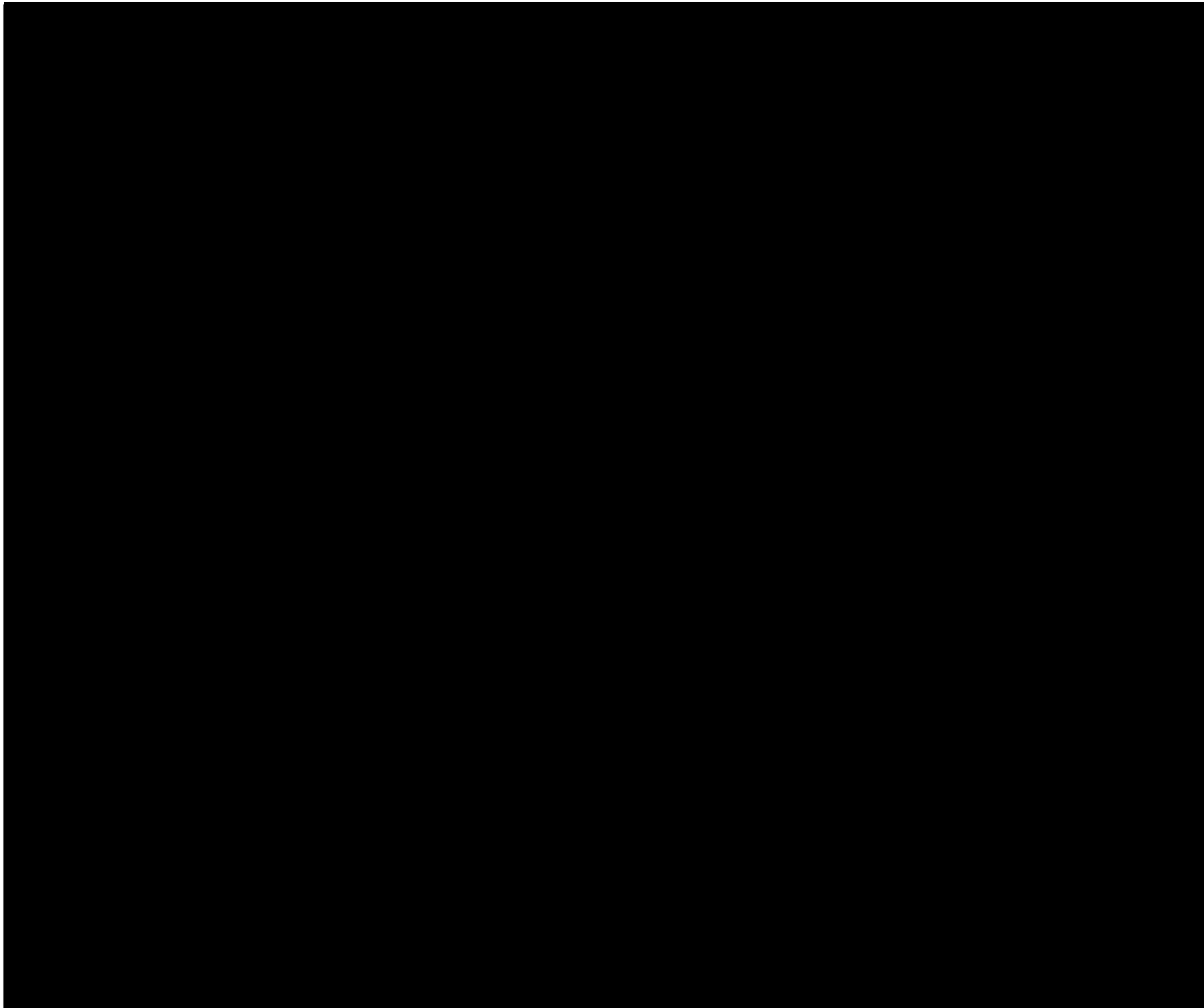
[REDACTED]

[REDACTED]

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Express Mail, Parcel Return Service, Priority Mail International, Express Mail International, International Priority Airmail, International Surface Air Lift, Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and Inbound International Expedited Services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.

[REDACTED]

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE



Prices established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C. § 3633(a)(3), which, as implemented by (39 C.F.R. § 3015.7(c)) requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C. § 3633(a)(1)).

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 11-6**

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-6, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 3/22/2011

2510.9 Priority Mail International Regional Rate Boxes – Non-Published Rates

2510.9.1 Description

- a. Priority Mail International Regional Rate Boxes – Non-Published Rates (PMI RRB – NPR) service is available through customized negotiated agreements. Prices under a PMI RRB – NPR agreement depend upon a mailer's revenue commitment.
- b. PMI RRB – NPR negotiated service agreements provide tiered incentives for Priority Mail International Regional Rates Boxes (PMI RRB) for all destinations served by PMI RRB.
- c. To qualify for a PMI RRB – NPR agreement, a mailer must be capable, on an annualized basis, of paying at least \$200,000.00 for PMI RRB to the Postal Service under a PMI RRB – NPR agreement.
- d. A mailer must commit to tender varying minimum postage of PMI RRB on an annualized basis under a PMI RRB – NPR agreement.
- e. Mail preparation requirements are similar to those required for a PMI Medium Flat Rate Box shipment, except that the mailer must use a Priority Mail Regional Rate Box A, B, or C with the specified markings, subject to size and weight limitations specific to PMI RRB – NPR.
- f. Indemnity for ordinary, uninsured parcels is included in the price of postage based on the weight of the item.
- g. Individual negotiated agreements must comply with the requirements specified in 39 U.S.C. § 3633.
- h. Individual negotiated agreements must be on file with the Commission within 10 days of their effective date.

2510.9.2 Size and Weight Limitations Requirements

Priority Mail International Regional Rate Box

Notwithstanding any markings on the package for domestic service, size and weight limitations are the following:

Regional Rate Box A	Outside Dimensions: Top Loaded: 10.125 x 7.125 x 5.0 inches Side Loaded: 13.0625 x 11.0625 x 2.5 inches	10 pounds
Regional Rate Box B	Outside Dimensions: Top Loaded: 12.25 x 10.5 x 5.5 inches Side Loaded: 16.25 x 14.5 x 3 inches	20 pounds
Regional Rate Box C	Outside Dimensions: Top Loaded: 15 x 12 x 12 inches	20 pounds

2510.9.3 Minimum Volume Requirements

A PMI RRB – NPR customer who selects postage payment through a permit imprint using USPS-provided Global Shipping Software (GSS) is required to meet minimum volume or weight requirements established for presentation of a manifest mailing.

2510.9.4 Price Categories

The incentives are based on the customer's revenue commitment. Prices are subject to the terms and conditions of individual negotiated agreements. The non-published range of prices that may be offered to mailers are pre-approved and subject to regulatory review.

The following price categories are available for the product specified in this section:

- PMI RRB – NPR

2510.9.5 Optional Features

Optional features are separately charged according to the published prices for each service at the time of mailing. The following additional services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service
- International Ancillary Services (2615)
 - None

2510.9.6 Indemnity

The indemnity amount is determined by the formula in UPU Parcel Post Regulations Article RC 149.2.1. This information is available in the Parcel

Post Manual at www.upu.int. The formula, converted into US equivalents of pounds and dollars, is shown in the International Mail Manual. It is updated annually to reflect the current SDR exchange rate.

2510.9.7 Prices

Prices are subject to the terms and conditions of individual negotiated agreements. The non-published range of prices that may be offered to mailers are reviewed in advance and subject to regulatory review.

2510.9.8 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Priority Mail International Regional Rate Boxes – Non-Published Rates

Baseline Reference

Docket Nos. MC2013-53 and CP2013-69

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION – DO NOT DISCLOSE"

Attachment 2C

Management's Analysis of the Prices and Methodology for Determining Prices for Negotiated Service Agreements under Priority Mail International Regional Rate Boxes—Non-published Rates

Through the establishment of Priority Mail International Regional Rate Boxes Non-published Rates (PMI RRB - NPR), management proposes a streamlined process for approving Priority Mail International Regional Rate Boxes (PMI RRB) agreements, establishing their profitability and competitive positioning in the market. The PMI RRB – NPR reduces the administrative time and effort required to navigate the regulatory process and eliminates uncertainty for both the customers and the Postal Service concerning the implementation and activation of the sales agreements.

Overview of the PMI RRB – NPR product

Base rates for PMI RRB are set by country of destination and by whether PMI RRB Box A, PMI RRB Box B, or PMI RRB Box C is selected. PMI RRB Box A has a maximum weight of 10 pounds, and PMI RRB Boxes B and C have a maximum weight of 20 pounds. PMI RRB has a total of 8 country groups. The base rates for PMI RRB, which are subject to the Discount Tiers set forth in Table 3, are the following:

Priority Mail International – Regional Rate Boxes Base Rates USPS-Produced Packaging Only

Table 1: Priority Mail International – Regional Rate Box Base Rates

	Country Price Group ¹
Boxes ¹	
A ²	
B ³	
C ³	

1. Packaging only available only at USPS.com.
2. Maximum weight 10 lbs.
3. Maximum weight 20 lbs.

The dimensions for PMI RRB Boxes A, B, and C are identical to those for Priority Mail Regional Rate Boxes, which are set forth in section 2110.2 of the Mail Classification Schedule,¹ and are the following:

¹ See Postal Regulatory Commission (PRC), (Draft) Mail Classification Schedule (posted April 1, 2013), available at <http://prc.gov/prc-pages/library/mail-classification-schedule/default.aspx?view=mail>

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION – DO NOT DISCLOSE"

- 2 -

Table 2: Box Dimensions

Regional Rate Box A	Outside Dimensions: Top Loaded: 10.125 x 7.125 x 5.0 inches Side Loaded: 13.0625 x 11.0625 x 2.5 inches	10 pounds
Regional Rate Box B	Outside Dimensions: Top Loaded: 12.25 x 10.5 x 5.5 inches Side Loaded: 16.25 x 14.5 x 3 inches	20 pounds
Regional Rate Box C	Outside Dimensions: Top Loaded: 15 x 12 x 12 inches	20 pounds

For PMI RRB – NPR contracts, the Postal Service offers [REDACTED] based on a mailer's revenue commitments for PMI RRB.

The mailer assumes responsibility and the costs associated with delivering to the point of tender. The following table summarizes the PMI RRB – NPR potential pricing incentives based on customer revenue commitment level. A PMI RRB – NPR customer is required to meet an annualized minimum commitment of [REDACTED]

[REDACTED]

Table 3: Discount Tiers

Tier	Minimum Revenue	PMI RRB
[REDACTED]		

Minimum and Maximum Prices

PMI RRB rates are set by country of destination and whether PMI RRB Box A, B, or C is selected. PMI RRB has a total of 8 country groups and three box options.

The minimum potential price for PMI RRB under PMI RRB – NPR is a [REDACTED] discount off of the PMI RRB prices in the Table 1 on the first page of this Management's

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION – DO NOT DISCLOSE"

- 3 -

Analysis. The potential minimum prices for each destination country group consist of the [REDACTED] and these establish the floor prices for PMI RRB - NPR.

The maximum potential price that PMI RRB – NPR customers will pay for PMI RRB are [REDACTED]. These prices represent the ceiling for PMI RRB – NPR rates.

The minimum and maximum prices representing the floor and ceiling for PMI RRB prices under PMI RRB – NPR are expressed in the charts in Attachment 2D. The range of prices included in each cell in Attachment 2D represents all of the potential prices in one-cent increments which are to be considered for the PMI Regional Rate Box and destination country group selected, as if each one-cent increment actually appeared on the table. The potential prices that could be offered for a PMI Regional Rate Box A, B, or C under a PMI RRB – NPR agreement, as authorized in Governors' Decision No. 11-6, are all of the prices, in one-cent increments, between and including the minimum and maximum prices that appear in the rate cell in Attachment 2D for the PMI Regional Rate Box and destination country group selected..

As an example, a mailer with a PMI RRB- NPR agreement, sending a Regional Rate Box A to a destination in country Group 1 could potentially be offered a price [REDACTED] including every price between the two in one-cent increments (i.e., [REDACTED]). The exact price would be determined by applying a consistent methodology to the payment option and revenue commitment choices made by the customer.

PMI RRB – NPR customers who select postage payment through a permit imprint using USPS-provided Global Shipping Software (GSS) are required to meet minimum volume or weight requirements established for presentation of a manifest mailing and to use USPS-provided software to generate labels and customs declarations.

Pricing Methodology

Management's pricing methodology begins with the Postal Service's cost coverage evaluation of the PMI RRB prices that appear in Table 1 on the first page of this Management's Analysis. To evaluate the cost coverage, Management reviews weighted volume and costs by country rate group. The absolute floor for PMI RRB pricing is defined by the incentives offered to [REDACTED] at each country rate group available. For each of the rate tiers, the Postal Service determines if there is cost coverage to support the applicable PMI RRB Non-published Rate.

Management accounted for multiple cost contingencies when developing the rates for this product to address unforeseen circumstances. Internal costs incurred by the Postal Service are assumed to increase according to inflation indices for the stated contract

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION – DO NOT DISCLOSE"

- 4 -

period. Exchange rate contingencies are built into the rates to account for fluctuations in exchange rates which will impact the settlements between Posts.

Financial Review

The tables below represent the expected cost coverages for the PMI RRB products using a projected PMI volume distribution for each of the eight country rate groups, and the minimum and maximum rates described in the previous section. Since no historical volume exists, [REDACTED] as shown in Tables 4 and 5.

Table 4: Projected Total PMI RRB NPR Cost Coverage: Minimum Rates

Product	Revenue	Cost	Contribution	Cost Coverage
RRB A	[REDACTED]			
RRB B				
RRB C				
Total				

Table 5: Projected Total PMI RRB NPR Cost Coverage: Maximum Rates

Product	Revenue	Cost	Contribution	Cost Coverage
RRB A	[REDACTED]			
RRB B				
RRB C				
Total				

Regulatory Review and Contract Implementation

The Postal Service will submit prices to the Postal Regulatory Commission (PRC) for [REDACTED] in support of its notification to the PRC of these new rates not of general applicability. These prices will represent the price floor for all sales contracts offering PMI RRB – NPR rate incentives. The prices [REDACTED] represent the price ceiling for each country rate group for PMI RRB.

The Postal Service will use a standard contract for PMI RRB - NPR, a product offered to USPS customers. The PMI RRB – NPR model agreement is included with this analysis.

In accordance with Governors' Decision No. 11-06, the Postal Service will file the PMI RRB – NPR product with the PRC. The filing will include this Management Analysis. The Postal Service will provide a copy of each PMI RRB – NPR customer agreement to

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION – DO NOT DISCLOSE"

- 5 -

the PRC, along with the financial cost inputs used to generate the rates for the customer, and the effective date of each PMI RRB - NPR agreement. All contracts using the PMI RRB – NPR model customer contract and the rates in this Management's Analysis will be filed in a single docket and will be reported as a single competitive product in the appropriate Annual Compliance Report. Each PMI RRB – NPR contract will bear a serial number and subsequent information filed with the PRC concerning a specific contract, and will be filed with reference to the docket and serial number.

With PMI RRB - NPR, the Postal Service provides the prices within the established range to qualified customers applying for the incentives using the methodology described above. Once a customer signs a PMI RRB – NPR agreement under this pricing approach, the Postal Service begins the customer's incentive program as soon as the Postal Service and the customer are ready to implement it.

Benefits

Since the methodology and process for implementing GEPS—NPR negotiated service agreements has proved advantageous, it has been replicated for PMI RRB. Under the GEPS—NPR process, the Postal Service has not had to certify the cost coverage of each contract, justify the addition of each contract to the competitive products list, and delay implementation of the customer incentives for mailing pending a positive review of the agreement by the PRC. The PRC, for its part, has not had to establish a docket for each contract, assign a Public Representative to review the contracts and related financial documents, nor issue orders to add each contract to the competitive product list. It is anticipated that the PMI RRB – NPR process will be quite similar to the GEPS—NPR 3 and GEPS—NPR 4 process, providing both the Postal Service and the PRC the means to decrease administrative costs associated with the PMI RRB - NPR contract review process. Since Postal Service revenues fund both organizations, savings to either organization result in overall savings for the Postal Service.

Additionally, the PMI RRB – NPR process makes it possible for the Postal Service to serve customers more effectively by enabling the Postal Service to promptly enter into sales contracts, instead of waiting for regulatory review of each individual contract and for a determination of each contract's functional equivalency to the established product grouping. As a result, the Postal Service is positioned better against competitors, and customers have the certainty of knowing that when they sign a PMI RRB – NPR agreement with the Postal Service, they have a binding contract, not just a preliminary agreement that is contingent upon final regulatory review.

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION – DO NOT DISCLOSE"

- 6 -

Summary

When a customer commits to a fixed level of revenue for PMI RRB, the Postal Service rewards the customer with pricing incentives while maintaining the cost coverage necessary to make a positive contribution to the Postal Service's institutional costs. The PMI RRB – NPR product has been designed, in accordance with Governors' Decision No. 11-06, to ensure a positive contribution to the Postal Service's bottom line.

Global Pricing

Regional Rate Box

Regional Rate Box - Minimum and Maximum Rates



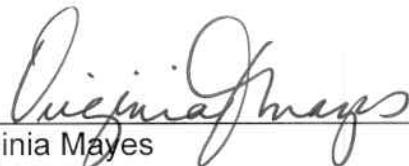
	[A] Box	[B] Range	[C] Group 1	[D] Group 2	[E] Group 3	[F] Group 4	[G] Group 5	[H] Group 6	[I] Group 7	[J] Group 8								
[a]	A	min max																
[b]	B	min max																
[c]	C	min max																

Attachment 2E

Certification As To The Prices For Determining Prices For Applicable Negotiated Service Agreements Under Priority Mail International Regional Rate Boxes - Non-published Rates

I, Virginia Mayes, Manager, Cost Attribution, Finance Department, United States Postal Service, am familiar with the prices that establish the price floor and the price ceiling for negotiated service agreements under the Priority Mail International Regional Rate Boxes - Non-published Rates product grouping, which are presented in Attachment 2D. I am also familiar with the methodology described in Attachment 2C for determining the prices for customer-specific agreements. The prices contained in this filing were established in accordance with the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, issued March 22, 2011 (Governors' Decision No. 11-6), which established prices by means of price floor formulas.

I hereby certify that these prices are determined in a manner that satisfies applicable pricing criteria, using appropriate and accurate data. If the Postal Service were to enter into agreements and offer services that set prices at or above the price floors using the methodology described in Attachment 2C, the Postal Service would be in compliance with 39 U.S. C. § 3633(a)(1), (2) and (3). The minimum prices that establish the price floor and the methodology for determining the rates for individual customers provide that the agreements under Priority Mail International Regional Rate Boxes - Non-published Rates should cover the product grouping's attributable costs, based on a distribution of assumed customer volumes, and preclude the subsidization of competitive products by market dominant products. Even if all the agreements under Priority Mail International Regional Rates Boxes - Non-published Rates were assigned prices at the price floor for the corresponding downstream access option, the prices and methodology used should prevent the product group from impairing the ability of competitive products on the whole to cover an appropriate share of institutional costs.


Virginia Mayes

Statement of Supporting Justification

I, Frank Cebello, Executive Director, Global Business Management, am sponsoring the Request that the Postal Regulatory Commission (Commission) add the Priority Mail International Regional Rates Boxes - Non-published Rates (PMI RRB - NPR) product filed in Docket Nos. MC2013-53 and CP2013-69 to the competitive products list for prices not of general applicability. The proposed revised Mail Classification Schedule (MCS) language for PMI RRB - NPR describes the requirements for this product. My statement supports the United States Postal Service's (Postal Service's) Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.

(a) *Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.*

The addition of this new product is in accordance with the policies and applicable criteria of the Act, because PMI RRB - NPR is a product designed to increase the efficiency of the Postal Service's processes and enhance its ability to compete in the marketplace, while assuring that the product is not subsidized by market dominant products, covers the costs attributable to it, and should not cause competitive products as a whole to fail to make the appropriate contribution to institutional costs.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).*

Not applicable.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.*

PMI RRB - NPR is a product designed to enable the Postal Service's sales force to quickly establish, based on customer revenue commitments and projected mailing profile, whether a PMI RRB – NPR agreement will be profitable enough to justify entering into an incentive-based mailing plan with that customer for Priority Mail International Regional Rate Boxes (PMI RRB) if the customer selects postage payment through a permit imprint using USPS-provided Global Shipping Software (GSS) or through an USPS-approved PC Postage Provider. To accomplish this goal, the product design for PMI RRB - NPR includes actual rate ranges that cover their costs. Governors' Decision No. 11-6 authorized Postal Service management to prepare, for any product within the Outbound International Competitive Agreement grouping, a product description, including text for inclusion in the MCS, and present such product description to the Commission. The product description for PMI RRB - NPR is set forth in Attachments 2B, 2C, and 2D which establish the prices and classifications for PMI RRB - NPR.

Because no historical volume exists, the Postal Service's financial modeling in support of the PMI RRB - NPR product includes a cost-coverage analysis for a 12-month forward looking period that was based on an estimate of

a certain volume, and a projected PMI volume distribution for each of the rate groups. This modeling demonstrated that PMI RRB - NPR, as authorized by the Governors and applied to the estimated volume and the FY2012 distribution by destination and by weight among PMI customers resulted in adequate cost coverage to ensure that no cross subsidization of this product by market-dominant products should occur. It also demonstrated that this new product should be able to contribute to institutional costs in addition to covering its own attributable costs.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

The addition of the PMI RRB - NPR product to the competitive products list will not result in classifying a product over which the Postal Service has market dominance as a competitive product. The PMI RRB - NPR product consists of sales of PMI RRB, which are likely to represent a small part of all international revenue received by the Postal Service. International revenue makes up a tiny fraction of total Postal Service revenue. In their 2012 annual reports, two of the Postal Service's competitors in the international package delivery market, Federal Express and United Parcel Service, reported international revenue of \$8.71 billion and \$12.12 billion, respectively. The Postal Service does not maintain a position of dominance in this market.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696, subject to the exceptions set forth in 39 U.S.C. § 601.*

As defined in the proposed revised Mail Classification Schedule language authorized by Governors' Decision No. 11-6, PMI RRB shipped under PMI RRB contracts are intended for the conveyance of merchandise items, which fall outside the scope of the Private Express Statutes. Furthermore, any "letters" as defined by 39 C.F.R. § 310.1(a) that are inserted in such items would likely fall within the suspensions or exceptions to the Private Express Statutes. For instance, the minimum prices at issue here exceed the scope of the reserved area in 39 U.S.C. § 601. Moreover, the suspension for outbound international letters covers the mailing activity in question here.¹

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

As noted in part (d) above, major competitors in the market for PMI RRB include Federal Express and United Parcel Service, which are widely available to customers in the United States. Private consolidators, freight forwarders, and integrators also offer international shipping arrangements whereby they provide analogous delivery services under similar conditions.

- (g) *Provide any available information on the views of those who use the product on the appropriateness of the proposed modification.*

Until their agreements are added to the competitive product list of the Mail Classification Schedule, customers encounter risks if they make changes to their businesses and processes prior to receiving confirmation that the rates are

¹ See 39 C.F.R. § 320.8.

available for them to use. When they do business with the Postal Service's competitors, they are able to commit to a discounted shipping solution and immediately begin receiving the benefits.

Additionally, customers could express frustration if they receive a provisional offer of prices from the Postal Service, which later must be rescinded because the customer's projected mailing profile shows that the negotiated service agreement will not be able to cover its attributable costs.

The PMI RRB - NPR product should address these problems by eliminating the need for each agreement to be added to the competitive product list individually and by making the rates for PMI RRB Box A, PMI RRB Box B, PMI RRB Box C, and country group destination based on certain factors available on short notice for qualifying customer's consideration.

I am not aware of any negative views from users of PMI concerning the proposal to add PMI RRB - NPR to the competitive products list.

(h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

The business concerns that engage in international package delivery services typically are not small business concerns, because of the resources necessary to compete in the industry. Large shipping companies, consolidators, and freight forwarders serve this market, particularly with respect to the type of customers represented by the PMI RRB - NPR product; the Postal Service is unaware of any small business concerns that could offer comparable service for these volumes.

The small business concerns utilizing the PMI RRB - NPR product will likely observe a positive impact. By offering PMI - RRB, the Postal Service will be able to more quickly provide small businesses access to pricing incentives that will help them reduce their own cost of doing business.

- (i) *Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

The administrative costs to both the Postal Service and the Commission that would result from filing each PMI RRB agreement separately are substantial in comparison to the individual contribution that each PMI RRB agreement can produce. Collectively, the PMI RRB agreements could make a substantial contribution to international revenue and are certainly worthwhile to both the Postal Service and its customers.

**GLOBAL CUSTOMIZED MAIL AGREEMENT BETWEEN
THE UNITED STATES POSTAL SERVICE AND
COMPANY NAME**

This Agreement ("Agreement") is between Company Name ("Mailer"), with offices at Address, City ST. 00000-0000, and the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the United States Government, with offices at 475 L'Enfant Plaza SW, Washington, DC 20260-9998. The Mailer and the USPS may be referred to individually as a "Party" and together as the "Parties."

INTRODUCTION

WHEREAS, the Parties desire to enter into a non-exclusive relationship whereby the USPS will provide certain products and/or services to the Mailer pursuant to the terms and conditions contained herein;

WHEREAS, the Parties desire to be bound by the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

ARTICLE 1. PURPOSE OF THE AGREEMENT

This Agreement shall govern the use the Mailer may make of customized mail service for Priority Mail International Regional Rate Boxes.

ARTICLE 2. CHOICE OF PAYMENT METHOD

By initialing one of the following two options, the Mailer hereby selects a postage payment method. This Agreement is not valid unless either Option A or B is selected.

_____ **Option A** Postage Payment through a PC Postage Provider

The Mailer shall pay postage to the USPS through the intermediary of a USPS-approved PC Postage Provider that the USPS has authorized to offer services to contract rate customers. The Mailer agrees to use only one USPS-approved PC Postage Provider at a time. The Mailer retains the right to change from one PC Postage Provider to another provided that the new PC Postage Provider has been authorized by the USPS to offer services to contract rate customers.

Initially, the Mailer chooses Endicia / Stamps.com as its USPS-approved PC Postage Provider.

_____ **Option B** Postage Payment through a Permit Imprint using USPS-provided Global Shipping Software (GSS).

The Mailer shall pay postage to the USPS through the use of a permit imprint subject to the conditions stated in IMM 152.4 and DMM 604.5.

ARTICLE 3. DEFINITIONS

As used in this Agreement:

1. “IMM” means the *International Mail Manual* as found on the USPS website pe.usps.com on the date of mailing.
2. “DMM” means the *Domestic Mail Manual* as found on the USPS website pe.usps.com on the date of mailing.
3. “Effective Date” means the first date on which the USPS is willing to accept Qualifying Mail.
4. “PC Postage Provider” means a provider of software-based management of postage accounts, authorized by the USPS to offer services to contract rate customers.
5. “Qualifying Mail” means mail that meets the requirements set forth in Article 4 of this Agreement.
6. “Non-Qualifying Mail” means mail that does not meet the requirements set forth in Article 4 of this Agreement. Priority Mail International Regional Rate Boxes tendered to the USPS at a USPS retail window or at any commercial mail receiving agency are Non-Qualifying Mail. Under Option A above, Priority Mail International Regional Rate Boxes tendered to the USPS at a Business Mail Entry Unit are Non-Qualifying Mail. Regional Rate Boxes that do not bear the marking “FOR DOMESTIC AND INTERNATIONAL USE” are Non-Qualifying Mail.

ARTICLE 4. QUALIFYING MAIL

1. Only mail tendered to the USPS in a USPS-provided box bearing one of the following markings:
 - REGIONAL RATE BOX A
FOR DOMESTIC AND INTERNATIONAL USE
 - REGIONAL RATE BOX B
FOR DOMESTIC AND INTERNATIONAL USE
 - REGIONAL RATE BOX C
FOR DOMESTIC AND INTERNATIONAL USE

that is intended for delivery in a country listed in Annex 2 of this Agreement with the exception of:

- a. Any item destined for any country included in Country Group E-1 under Supplement No. 1 to Title 15, Code of Federal Regulations, Part 740 available at: <http://www.gpo.gov/fdsys/pkg/CFR-2013-title15-vol2/pdf/CFR-2013-title15-vol2-part740-appNo-.pdf>. (As of July, 2013, these countries are: Cuba, Iran, North Korea, Sudan, and Syria. This list of countries is subject to change.)
- b. Any item addressed to persons or entities identified on the Office of Foreign Assets Control's (OFAC's) Specially Designated Nationals List,

the Bureau of Industry and Security's (BIS's) Denied Persons List, or BIS's Entities List; and

- c. Any item tendered on behalf of third parties or entities identified on OFAC's Specially Designated Nationals List, BIS's Denied Persons List, or BIS's Entities List;

shall be considered as Qualifying Mail, except as those requirements conflict with the applicable specific preparation requirements set forth in Article 6. Such Qualifying Mail shall be referred to as Priority Mail International Regional Rate Box(es) in this Agreement.

2. Subject to availability, Regional Rate Boxes bearing the markings set forth in Paragraph 1 of this Article may be ordered from usps.com by choosing from the following:

- Priority Mail Regional Rate Box – A1
- Priority Mail Regional Rate Box – A2
- Priority Mail Regional Rate Box – B1
- Priority Mail Regional Rate Box – B2
- Priority Mail Regional Rate Box – C

3. Weight limits for Qualifying Mail:

- Priority Mail Regional Rate Box A1 and A2 maximum weight 10 pounds
- Priority Mail Regional Rate Box B1 and B2 maximum weight 20 pounds
- Priority Mail Regional Rate Box C maximum weight 20 pounds

Boxes in excess of the stated maximum weight limits shall be considered as Non-Qualifying mail and shall be subject to the applicable published price for the actual weight and applicable price group.

ARTICLE 5. TREATMENT OF NON-QUALIFYING MAIL

Under Option A and under Option B above, the USPS, at its option and without forfeiting any of its rights under this Agreement, may refuse to accept Non-Qualifying Mail or may accept Non-Qualifying Mail at the applicable published prices.

ARTICLE 6. SPECIFIC PREPARATION REQUIREMENTS

1. Under Option A above, mailings processed using software provided by a USPS-approved PC Postage Provider that the USPS has authorized to offer services to contract rate customers, must be accompanied by a PS Form 3152 Confirmation Services Certification, or a PS Form 5630 Shipment Confirmation Acceptance Notice, or an equivalent form produced by the PC Postage Provider's software.
2. Under Option B above:
 - a. Mailings of Qualifying Mail must be kept separate from any other type of mail the Mailer tenders.
 - b. International mailings must be separated from domestic mailings.

- c. Mailings processed using Global Shipping Software (GSS) must:
 - i. Be accompanied by a postage manifest; and
 - ii. Be paid for through the use of a Permit Imprint.

ARTICLE 7. OBLIGATIONS OF THE USPS

The USPS hereby agrees:

1. Transportation To arrange with carriers to transport Qualifying Mail to international destinations where the proper authority will effect delivery.
2. Undeliverable Items To return Priority Mail International Regional Flat Rate Box items refused by an addressee or that are undeliverable to the Mailer according to the provisions of IMM 771.
3. Postage To provide prices for Qualifying Mail paid for and tendered as required by this Agreement.
4. Pickup To provide pickup service for Qualifying Mail according to the applicable local agreement, if any, as amended from time to time.
5. Confidentiality To seek non-public treatment of information it determines to be eligible for protection from public disclosure under applicable law and practice when it files the Agreement with the Postal Regulatory Commission, or when it files information (including data) in connection with the Agreement in accordance with other regulatory requirements.
6. Technical Assistance under Option B To provide the Mailer with technical assistance necessary to prepare information linkages, electronic data files, and data exchanges as required for the proper functioning of USPS-provided Global Shipping Software (GSS).
7. Boxes To provide Priority Mail International Regional Rate Boxes through usps.com, subject to availability.

ARTICLE 8. OBLIGATIONS OF THE MAILER – GENERAL

The Mailer hereby agrees:

1. Postage To pay postage for Priority Mail International Regional Rate Boxes according the price chart in Annex 1.
2. Customs and Export Documentation To provide any necessary documentation, including data provided in electronic format, in connection with each mailing, in the form and at the time specified by the USPS, Customs & Border Protection, Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other authority. The Mailer further understands that the failure to provide any such required documentation may result in refusal at acceptance, delay in processing, involuntary seizure by customs authorities, and/or return of mail to the sender.
3. Customs and Export Requirements. To comply with any regulation or order promulgated by the USPS, OFAC, the U.S. Department of the Treasury, the U.S. Census Bureau, BIS, the U.S. Department of Commerce, the U.S. Department of

State, the U.S. Customs & Border Protection, the U.S. Fish and Wildlife Service, the Transportation Security Administration, a destination country foreign government, or other governmental unit, according to any requirements specified by those authorities. See IMM 5 for additional information.

4. Tender Not to:

- a. Tender or attempt to tender any item under this Agreement that is destined for any country included in Country Group E-1 under Supplement No. 1 to Title 15, Code of Federal Regulations, Part 740 available at: <http://www.gpo.gov/fdsys/pkg/CFR-2013-title15-vol2/pdf/CFR-2013-title15-vol2-part740-appNo-.pdf>; (as of July, 2013, these countries are: Cuba, Iran, North Korea, Sudan, and Syria; this list of countries is subject to change);
- b. Tender or attempt to tender any item addressed to persons or entities identified on OFAC's Specially Designated Nationals List, BIS's Denied Persons List, or BIS's Entities List;
- c. Tender or attempt to tender any item on behalf of third parties or entities identified on OFAC's Specially Designated Nationals List, BIS's Denied Persons List, or BIS's Entities List.

5. Confidentiality To treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the Postal Regulatory Commission.

6. Penalties To pay any fines or penalties as well as any other expenses, damages, and/or charges, including any applicable duties, taxes, and/or fees that result from an action of any other governmental entity that regulates exports and/or imports in relation to any item tendered under this agreement, or that results from the Mailer's failure to comply with applicable laws and regulations of the origin country, destination country, or any country through which a mailing tendered under this Agreement passes (including failure to provide necessary documentation and/or failure to obtain any required license or permit).

7. Advance Notification To provide the Manager, Customized Mail, USPS, via e-mail to icmusps@usps.gov with notification of the Mailer's intent to tender Qualifying Mail under this Agreement that requires a license from OFAC, BIS, or the U.S. Department of State not less than ten (10) days prior to tender of such items.

ARTICLE 9. ADDITIONAL OBLIGATIONS OF THE MAILER UNDER OPTION A

The Mailer, having selected Option A above, hereby agrees:

1. Advance Notification To provide the Manager, Customized Mail, USPS, via e-mail to icmusps@usps.gov with notification of the Mailer's intent to change PC Postage Providers and the name of the new PC Postage Provider the Mailer intends to use at least twenty (20) days in advance of the anticipated change from one PC Postage Provider to another;

2. Tender To present the mailings to the USPS using any means of tender the USPS authorizes for items for which postage payment is through a PC Postage Provider, with the exception of the following means of tender: tender at a USPS retail window, or a commercial mail receiving agency.
3. Software To apply address labels and Customs declarations to Qualifying Mail using the software provided by the USPS-approved PC Postage Provider which the Mailer has identified as its selected postage payment intermediary.
4. Postage Due To pay any postage due to the USPS as a result of discrepancies between the actual PC postage applied to the mailings and the postage required under this Agreement.

ARTICLE 10. ADDITIONAL OBLIGATIONS OF THE MAILER UNDER OPTION B

The Mailer, having selected Option B above, hereby agrees:

1. Advance Notification To provide:
 - a. The Manager, Customized Mail, USPS, via e-mail to icmusps@usps.gov, with notification of new permit numbers used for Qualifying Mail one week in advance of using the new permit numbers. The message should include the permit number, the city, state, and ZIP Code where the permit is held, the name of the permit owner, and the requested implementation date.
 - b. The appropriate USPS acceptance site(s) with notice of intent to mail.
2. Tender To present the mailings at a Business Mail Entry Unit (BMEU) approved by the USPS to receive Qualifying Mail in accordance with the scheduling procedures in place at the appropriate acceptance site(s).
3. Address Labels and Customs Declarations. To create address labels and customs declarations for Priority Mail International Regional Rate Boxes Qualifying Mail using USPS-provided Global Shipping Software (GSS).
4. Information Link To establish the necessary linkages with the USPS so that:
 - a. The Mailer and the USPS can exchange data transmissions concerning the Mailer's packages;
 - b. The USPS can, at the Mailer's request, extract information by scanning the Mailer-provided barcode on each package.
5. Data Transmission To exchange electronic information with the USPS according to the instructions the USPS provides.

ARTICLE 11. MINIMUM COMMITMENT

The Mailer is required to meet an annualized minimum commitment of XXXXX hundred thousand dollars (\$XX0,000) in postage paid for Qualifying Mail. The postage commitment is for postage after all discounts have been applied.

1. In the event that the Mailer does not meet its minimum commitment as set forth in Paragraph 1 of this Article, the Mailer agrees to pay the USPS [REDACTED]

- [REDACTED]
2. The USPS will provide the Mailer with an invoice for any postage due for the failure to meet the minimum commitment stated in Paragraph 1. All amounts due are to be paid within thirty (30) days of the date of the invoice. Any invoice that is not paid within thirty (30) days will incur [REDACTED]
- [REDACTED] Any invoicing discrepancies will be resolved subsequent to payment of the invoice. In addition [REDACTED] the USPS reserves the right to pursue other available remedies.

ARTICLE 12. TERM OF THE AGREEMENT

The USPS will notify the Mailer of the Effective Date of the Agreement as soon as possible, but no later than thirty (30) days, after receiving the signed Agreement from the Mailer. The Agreement shall remain in effect for one calendar year from the Effective Date, or the last day of the month which falls one calendar year from the Effective Date, whichever is later, unless terminated sooner pursuant to Article 13 or Article 14.

ARTICLE 13. TERMINATION OF THE AGREEMENT

1. Either Party to this Agreement, in its sole discretion, may terminate the Agreement for any reason, without cost, fault, or penalty, except as provided for in paragraph 2 below, regardless of whether either Party is in default, upon a thirty (30) day written notification, unless a time frame longer than thirty (30) days that falls within the term of the Agreement is indicated by the terminating Party.
2. In the event that this Agreement is terminated for any reason before the termination date provided for in Article 12, any penalties arising under Article 33 shall be enforceable and the minimum commitment in Article 11 shall be enforceable but shall be calculated on a *pro rata* basis to reflect the actual duration of the Agreement.

ARTICLE 14. MODIFICATION OF THE AGREEMENT

1. Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement, with the exception of changes to prices under the terms of Article 15, shall be binding only if placed in writing and signed by each Party.
2. Modifications may be contingent upon any and all necessary approvals by USPS management's executive committee, the Board of Governors of the USPS, the Governors of the USPS, the Postal Regulatory Commission, and/or any other governmental body with oversight responsibility for the USPS.
3. If such approvals are required, the modifications will not become effective until such time as all necessary approvals are obtained.

4. The USPS will notify the Mailer of the date the modification becomes effective within thirty (30) days after receiving the approval of the entities that have oversight responsibility for the USPS.
5. The USPS shall have no obligation to notify the Mailer of the status of the approval process or of potential fulfillment of the approval process.
6. Any changes to or modification of the local agreement referred to in Article 7, Paragraph 4 are not subject to the provisions of this Article.

ARTICLE 15. POSTAGE UPDATES

1. In the event that the USPS incurs an increase in costs [REDACTED] [REDACTED] associated with providing this service, the USPS shall notify the Mailer and modify the prices established under this Agreement. [REDACTED]
[REDACTED]
2. The USPS will give the Mailer thirty (30) days' notice of changes to the prices in Annex 1.
3. Any revision of prices in Annex 1 shall not be retroactive.

ARTICLE 16. CUSTOMS DUTIES AND TAXES

Customs duties, taxes, and/or fees for packages mailed under this Agreement are the responsibility of the addressee.

ARTICLE 17. ENTIRE AGREEMENT AND SURVIVAL

This Agreement, including all Annexes thereto and any corresponding written local pickup agreement, shall constitute the entire agreement between the Parties regarding customized prices for Priority Mail International Regional Rate Boxes commencing on the Effective Date of the Agreement, and any prior understanding or representation of any kind preceding the date of this Agreement shall not be binding upon either Party except to the extent incorporated in this Agreement. The provisions of Article 7, Paragraph 5; Article 8, Paragraph 5; and Article 19 shall expire ten (10) years from the date of termination or expiration of this Agreement. In addition, the provisions of Articles 8, 9, 10, 11, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, and 33 shall survive the conclusion or termination of this Agreement, as well as any other terms insofar as they apply to the Parties' continuing obligation to one another under the articles listed above.

ARTICLE 18. FORCE MAJEURE

Neither Party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages; governmental laws, ordinances, rules and regulations, whether valid or invalid; court orders whether valid or invalid; inability to obtain material, equipment or transportation; and any other similar or different contingency.

ARTICLE 19. CONFIDENTIALITY

The Mailer acknowledges that this Agreement and supporting documentation will be filed with the Postal Regulatory Commission (“Commission”) in a docketed proceeding. The Mailer authorizes the USPS to determine the scope of information that must be made publicly available in any Commission docketed proceeding in which information related to this Agreement must be filed. The Mailer further understands that any unredacted portion of the Agreement or supporting information will be available on the Commission’s public website, www.prc.gov. In addition, the USPS may be required to file information in connection with this instrument (including revenue, cost, or volume data) in other Commission dockets, including PRC Docket Numbers ACR2013, ACR2014, and/or ACR2015. The Mailer has the right, in accordance with the Commission’s rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the PRC for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22 found on the Commission’s website: www.prc.gov/Docs/63/63467/Order225.pdf. The docket number in which this Agreement will be filed is CP2013-XX.

ARTICLE 20. EFFECT OF PARTIAL INVALIDITY

The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the Parties agree that the remaining provisions shall be deemed to be in full force and effect.

ARTICLE 21: INTELLECTUAL PROPERTY, CO-BRANDING AND LICENSING

The Mailer is allowed the use of the words “Priority Mail International™,” “Priority Mail International™ Regional Rate Box™” and the acronyms “PMI™” and “PMI RRB.” The Parties acknowledge that in the service of marketing the products under this Agreement that such product marketing may be enhanced through the use of co-branding or the use of each Party’s trademarks, logos or intellectual property. In such instances, the Parties acknowledge and agree that any use shall be subject to separate written agreements. The Parties acknowledge and agree that neither Party shall use the other Party’s trademarks, logos or intellectual property until such time that a license for such use has been executed by the Parties and all laws and regulations required for such license’s effectiveness have been perfected, which shall include but not be limited to any recordation requirements.

ARTICLE 22. LIMITATION OF LIABILITY

1. The liability of the USPS under this Agreement shall be limited to the refund of postage for Qualifying Mail that is lost or destroyed in bulk after being tendered to the USPS and prior to being received by the delivery authority outside of the United States. The USPS shall not be liable for any actual or consequential damages suffered by the Mailer as a result of late delivery or non-delivery of any Qualifying Mail.
2. The USPS shall not be liable for any loss or expense, including, but not limited to fines and penalties, for the Mailer’s or any other person’s failure to comply with any export laws, rules, or regulations.

3. The USPS shall not be liable for any act or omission by any person not employed or contracted by the USPS, including any act or omission of the Mailer, the Mailer's customer, or the recipient of an item tendered under this Agreement.
4. Priority Mail International Regional Rate Box Qualifying Mail items that are tendered to the USPS under the terms of this Agreement include indemnity coverage against loss, missing contents, or damage at no additional charge. Indemnity is limited to the lesser of the actual value of the contents or the maximum indemnity based on the weight of the item. The indemnity amount is determined by the formula in Universal Postal Union (UPU) Parcel Post Regulations Article RC 149.2.1. This information is available in the Parcel Post Manual at www.upu.int. The formula converted into United States equivalents of pounds and dollars is shown in the IMM. It is updated annually to reflect the current Special Drawing Right (SDR) exchange rate. Indemnity for Priority Mail International items that are tendered to the USPS under the terms of this Agreement does not cover losses due to delays in delivery. Indemnity will be paid in accordance with IMM 230 and IMM 930. Neither indemnity payments nor postage refunds will be made in the event of delay.
5. The USPS bears no responsibility for the refund of postage for Qualifying Mail in connection with actions taken by Customs authorities.

ARTICLE 23. INDEMNITY

The Mailer shall indemnify and save harmless the USPS and its officers, directors, agents, and employees from any and all claims, losses, costs, damages, or expenses or liabilities, including but not limited to penalties, fines, liquidated damages, charges, taxes, fees, duties, or other money due ("Claims") growing out of or connected in any other way with the discharge by the Mailer or its agents(s) of any undertaking contained in this Agreement, including Claims that result from the noncompliance of the Mailer with the laws of the United States and other countries.

ARTICLE 24. GOVERNING LAW

This Agreement shall be governed by, construed, and enforced in accordance with United States federal law.

ARTICLE 25. SUSPENSIONS OF MAIL SERVICE

In the event that a suspension of Priority Mail International Regional Rate Box service from the United States to a country would prevent delivery of Qualifying Mail to addressees in that country, the Mailer shall not tender Priority Mail International Regional Rate Boxes to the USPS until service is restored. The annualized minimum commitment for Qualifying Mail set forth in Article 11 shall be recalculated *pro rata* to reflect the reduction in available service time.

ARTICLE 26. ASSIGNMENT

The rights of each Party under this Agreement are personal to that Party and may not be assigned or transferred to any other person, firm, corporation, or other entity without the prior, express, and written consent of the other Party.

ARTICLE 27. NO WAIVER

The failure of either Party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any such terms and conditions, but these shall continue and remain in full force and effect as if such forbearance or waiver had not occurred.

ARTICLE 28. PARAGRAPH HEADINGS AND REFERENCE CITATIONS

The titles to the paragraphs of this Agreement are solely for the convenience of the Parties and shall not be used to explain, modify, simplify, or aid in the interpretation of the provisions of this Agreement. All citations to provisions in the DMM and IMM within this Agreement are intended to refer to the substantive information found within the cited section(s) at the time this Agreement was drafted. Subsequent changes to the citations or the relevant substantive information due to published revisions of the DMM or IMM shall be applicable to this Agreement upon the effective date of such revisions.

ARTICLE 29. MAILABILITY, EXPORTABILITY, AND IMPORTABILITY

All items mailed under this Agreement must conform to the mailability requirements of the USPS as detailed in IMM 130; all applicable United States laws and regulations, including export control and customs laws and regulations; and all applicable importation restrictions of the destination countries. For each item mailed under this Agreement, the Mailer is responsible for determining export and import requirements, obtaining any required licenses and permits, and ensuring that the recipient of the item is authorized by the laws of the United States and destination countries to receive the item. The Mailer is solely responsible for the exportation and importation status of the products mailed under this Agreement as detailed in IMM 112.

ARTICLE 30 WARRANTIES AND REPRESENTATIONS

The Mailer warrants and represents that the Mailer is not subject to, and is not related to, an entity that is subject to a temporary or other denial of export privileges by BIS and that the Mailer is not listed on BIS's Entity List or OFAC's Specially Designated Nationals List.

ARTICLE 31. NOTICES

All notices or demands to the Parties required by this Agreement shall be sufficient if delivered personally or mailed via Express Mail to the following individuals:

To the USPS:

Managing Director, Global Business and Vice President
United States Postal Service
475 L'Enfant Plaza SW Room 1P830
Washington, DC 20260-0830

To the Mailer:

Name
Title
Company Name
Street Address
City, ST Zip+4

or via e-mail:

To the United States Postal Service at: icmusps@usps.gov

To the Mailer at: e-mail address

ARTICLE 32. COUNTERPARTS

The Parties may execute this Agreement in one or more counterparts (including by facsimile or by electronic means such as .pdf format), not all Parties need be signatories to the same documents, and all counterparty-signed documents shall be deemed an original and one instrument.

ADDITIONAL ARTICLE APPLYING UNDER OPTION A ABOVE

ARTICLE 33. FRAUD

Under Option A above, the Mailer understands that providing false information with the intent to access discounted rates through the use of a PC Postage Provider may subject the Mailer to criminal and/or civil penalties, including fines and imprisonment.

In witness whereof, each Party to this Agreement has caused it to be executed on the latter of the two dates accompanying the Parties' signatures.

ON BEHALF OF THE UNITED STATES POSTAL SERVICE:

Signature: _____
Name: Frank A. Cebello
Title: Executive Director, Global Business Management
Date: _____

ON BEHALF OF COMPANY NAME:

Signature: _____
Name: _____
Title: _____
Date: _____

- Annex 1 PRICES FOR PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES
- Annex 2 PRICE GROUPS FOR PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES

ANNEX 1
PRICES FOR PRIORITY MAIL INTERNATIONAL
REGIONAL RATE BOXES

	Country Price Group¹							
Boxes¹	1	2	3	4	5	6	7	8
A²								
B³								
C³								

1. Packaging only available only at USPS.com.
2. Maximum weight 10 lbs.
3. Maximum weight 20 lbs.

**ANNEX 2
PRICE GROUPS FOR
PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES**

**(Priority Mail International Regional Rate Box Service may not be available or
authorized to all countries listed in this Annex)**

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 1**

Canada

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 2**

Argentina	Ecuador	Peru
Brazil	Guatemala	Uruguay
Chile	Guyana	Venezuela
Colombia	Mexico	
Dominican Republic	Paraguay	

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 3**

China	Japan	Singapore
Hong Kong	Korea, Republic of (South)	Thailand
Indonesia	Mongolia	Vietnam
	Philippines	

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 4**

Austria	Great Britain and	Portugal
Belgium	Northern Ireland	Slovak Republic (Slovakia)
Denmark	Ireland (Eire)	Slovenia
Finland	Italy	Spain
France (includes Corsica	Luxembourg	Sweden
and Monaco)	Netherlands	Switzerland
Germany	Norway	

**ANNEX 2
PRICE GROUPS FOR
PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES**

**(Priority Mail International Regional Rate Box Service may not be available or
authorized to all countries listed in this Annex)**

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 5**

India

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 6**

Australia

New Zealand

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 7**

Egypt
Iraq
Israel

Jordan
Saudi Arabia
Turkey

United Arab Emirates
Yemen

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 8**

Afghanistan
Albania
Algeria
Andorra
Angola
Anguilla
Antigua and Barbuda
Armenia
Aruba
Azerbaijan
Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belize
Benin
Bermuda
Bhutan

Bosnia-Herzegovina
Botswana
British Virgin Islands
Brunei Darussalam
Bulgaria
Burkina Faso
Burma
Burundi
Cambodia
Cameroon
Cape Verde
Cayman Islands
Central African Republic
Chad
Comoros
Congo, Democratic
Republic of the
Congo, Republic of the
Costa Rica

Cote d'Ivoire
Croatia
Curacao
Cyprus
Czech Republic
Djibouti
Dominica
El Salvador
Equatorial Guinea
Eritrea
Estonia
Ethiopia
Faroe Islands
Fiji
French Guiana
French Polynesia
Gabon
Gambia
Georgia, Republic of

CONFIDENTIAL

**ANNEX 2
PRICE GROUPS FOR
PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES**

**(Priority Mail International Regional Rate Box Service may not be available or
authorized to all countries listed in this Annex)**

**PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOX
PRICE GROUP 8 CONTINUED**

Ghana	Malta	San Marino
Gibraltar	Martinique	Sao Tome and Principe I
Greece	Mauritania	Senegal
Greenland	Mauritius	Serbia, Republic of
Grenada	Moldova	Seychelles
Guadeloupe	Montenegro	Sierra Leone
Guinea	Montserrat	Sint Maarten
Guinea-Bissau	Morocco	Solomon Islands
Haiti	Mozambique	South Africa
Honduras	Namibia	Sri Lanka
Hungary	Nauru	Suriname
Iceland	Nepal	Swaziland
Jamaica	New Caledonia	Taiwan
Kazakhstan	Nicaragua	Tajikistan
Kenya	Niger	Tanzania
Kiribati	Nigeria	Timor-Leste, Democratic Republic of
Kosovo, Republic of	Oman	Togo
Kuwait	Pakistan	Tonga
Kyrgyzstan	Panama	Trinidad and Tobago
Laos	Papua New Guinea	Tristan da Cunha
Latvia	Pitcairn Island	Tunisia
Lebanon	Poland	Turkmenistan
Lesotho	Qatar	Turks and Caicos Islands
Liberia	Reunion	Tuvalu
Libya	Romania	Uganda
Liechtenstein	Russia	Ukraine
Lithuania	Rwanda	Uzbekistan
Macao	Saint Christopher and Nevis	Vanuatu
Macedonia, Republic of	Saint Helena	Vatican City
Madagascar	Saint Lucia	Wallis and Futuna Islands
Malawi	Saint Pierre and Miquelon	Western Samoa
Malaysia	Saint Vincent and the Grenadines	Zambia
Maldives		Zimbabwe
Mali		